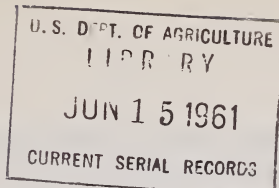


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February 1961
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FEB. 28, P. M.

The DEMAND and PRICE SITUATION

DPS-74



Approved by the Outlook and Situation Board, February 20, 1961

SUMMARY

Net income of farm operators improved some in the last half of 1960, and realized net income is estimated for the year at 3 percent above 1959. Cash receipts from farm marketings were 2 percent above 1959. Farm product prices averaged a shade under those of 1959, but the volume of marketings was up nearly 3 percent. Cash receipts from marketings in 1960 moved from 5 percent below the year earlier in the first quarter to 4 percent above in the last half. Prices also averaged lower than a year earlier in the first quarter but by the final quarter of 1960 were about 4 percent higher than the previous year. Led by heavy sales of 1959-crop corn and 1960-crop wheat, marketings exceeded 1959 levels, particularly in the second and third quarters. In January 1961 marketings of farm products and grower prices continued above early 1960.

Between mid-January and early February, central market prices of major farm commodities increased. Egg prices strengthened as cold weather east of the Rockies curtailed production, and prices of grains, soybeans and flaxseed, averaged higher. Prices of hogs increased, while beef cattle declined slightly. Near-term price prospects for farm products as a whole point to relatively stable prices averaging higher than a year earlier.

(Continued on page 3)



Growth Through Agricultural Progress

Published monthly by
AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	Year	1960				1961
			Jan.	Oct.	Nov.	Dec.	Jan.
Industrial production, seasonally adj. <u>1/</u>	1957=100	108	111	107	105	103	102
All manufactures	do.	108	112	106	105	103	101
Durable goods	do.	104	111	101	99	96	95
Nondurable goods	do.	114	113	113	112	112	110
Mining	do.	97	98	96	96	97	98
Utilities	do.	n.a.	120	126	127	126	126
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	55,017	54,726	54,736	55,430	56,405	55,330
Public construction	Mil. dol.	16,061	14,832	16,405	16,849	17,765	17,090
Private residential	Mil. dol.	22,067	23,244	21,228	21,428	21,522	20,666
Housing starts	Thousands	1,248	1,366	1,256	1,216	984	1,098
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,425	31,110	29,600	29,250	28,940	
Durable goods	Mil. dol.	14,689	15,450	14,080	13,810	13,560	
Unfilled orders-sales ratio <u>5/</u>		3.06	3.07	3.11	3.13	3.18	
Inventory-sales ratio <u>6/</u>		1.79	1.71	1.84	1.85	1.85	
Durable goods		2.15	1.99	2.23	2.25	2.27	
Employment and wages: <u>4/</u>							
Total civilian employment	Millions	66.7	64.0	67.5	67.2	66.0	64.5
Nonagricultural	do.	60.7	59.4	61.2	61.5	61.1	59.8
Unemployment	do.	3.9	4.1	3.6	4.0	4.5	5.4
Workweek in manufacturing	Hours	39.7	40.3	39.6	39.2	38.6	38.6
Hourly earnings in manufacturing	Dollars	2.29	2.29	2.30	2.30	2.32	2.32
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	404.2	395.7	409.7	409.0	406.9	406.3
Consumer credit outstanding <u>1/</u>	Mil. dol.	56,050	51,468	54,344	54,626	56,049	
Automobile	Mil. dol.	17,925	16,519	17,992	17,967	17,866	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,319	18,090	18,554	18,400	17,977	17,675
Durable goods	Mil. dol.	5,928	5,891	6,133	5,938	5,561	5,430
Inventory-sales ratio <u>6/</u>		1.39	1.35	1.37	1.38	1.41	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	120	119	120	120	120	120
Commodities other than farm and food	do.	128	129	128	128	128	128
Farm products	do.	89	86	89	90	89	90
Foods processed	do.	108	106	109	109	109	110
Consumer price index, all items <u>4/</u>	1947-49=100	126	125	127	127	128	
Food	do.	120	118	121	121	121	
Prices received by farmers <u>7/</u>	1910-14=100	238	232	240	241	242	241
Crops	do.	221	220	220	218	217	218
Livestock and products	do.	252	242	258	261	263	261
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	299	299	297	297	298	301
Family living items	do.	290	289	290	291	291	291
Production items	do.	264	265	262	262	265	267
Parity ratio <u>7/</u>		80	78	81	81	81	80
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	132	131	189	172	143	141
Cash receipts from farm marketings	Mil. dol.	33,746	2,696	4,000	3,712	3,121	3,000

Annual data for most of these items for years 1929, 1939, 1941, and 1946-59 appear on page 40 of the April 1960 issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.

4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Unfilled orders for durables divided by monthly deliveries. 6/ Inventories, book value, end of month, divided by sales. 7/ U. S. Department of Agriculture, Agricultural Marketing Service. n. a.- Not available.

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T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, February 20, 1961

CONTENTS			
	<u>Page</u>		<u>Page</u>
Summary	1	Wheat	20
General Business Activity	5	Fruit	21
Agricultural Imports	12	Commercial Vegetables	22
Farm Income and Prices	15	Potatoes and Sweetpotatoes	23
Livestock and Meat	16	Dry Beans and Peas	23
Dairy Products	17	Cotton	23
Poultry and Eggs	18	Wool	24
Oilseeds, Fats and Oils	19	Tobacco	25
Feed	20		

Continued from cover page --

Agricultural imports in 1960 totaled \$3.8 billion, about 7 percent less than in 1959. Generally lower import prices and sharply reduced rubber and wool imports contributed to the decline.

The moderate downtrend in economic activity continued into the first quarter of 1961. Employment changes between December and January were mainly seasonal, except for further job declines in manufacturing. Unemployment in January at 5.4 million was sharply above a year ago. There was a sharp increase in those unemployed 15 weeks and longer. Industrial production declined, led by reduced auto assemblies, and the Federal Reserve Board's overall index in January was 6 percent below June. New orders received by manufacturers continued to drift lower in December but the rate of descent was smaller than in other postwar recessions. Inventory liquidation continued, apparently following the general pattern of previous post-World War II recessions. Retail sales declined in January as auto sales dipped. Wholesale industrial prices were stable, but urban consumer prices for nonfood items continued to inch higher.

Personal income in January at a \$406.3 billion annual rate was down \$600 million from December, but $2\frac{1}{2}$ percent above a year ago. The decline from December was mostly due to lower wage and salary payments. Expenditures for food in the last quarter of 1960 were 3.6 percent above a year ago; retail prices were up about $2\frac{1}{2}$ percent. With marketing charges about unchanged, the farmers share of the retail food dollar rose to 39 cents in the fourth quarter of 1960, up 2 cents from a year earlier.

Commodity Highlights

Higher cattle inventories and an uptrend in hog production will result in moderately larger meat production and some increase in marketings during 1961.

Milk production increased nearly a billion pounds in 1960, after declining in the three preceding years, and a somewhat greater increase in production is expected this year.

Wholesale egg prices in early February at New York and Chicago were 12-15 cents per dozen above the depressed levels a year earlier, due to smaller egg output. A reduction in the size of the laying flock and the recent cold weather east of the Rockies have been contributing factors.

Prices of soybeans have risen sharply since October and in mid-February at \$2.70 per bushel (No. 1 Yellow, Chicago) were 55 cents above a year earlier. Prices are expected to remain relatively firm through the spring.

Feed consumption this marketing year has been heavy. Domestic disappearance probably will reach a new record due to the prospective increase in hog and poultry numbers. Stocks of feed grains were up 8 percent on January 1, and the carryover at the end of the marketing year is expected to increase 8 to 10 million tons from a year earlier.

Disappearance of wheat in July-December of 1960 amounted to 614 million bushels, 12 percent above the same period in 1959. Compared with the same period in 1959, exports were 92 million bushels higher, a 45 percent rise.

Grower prices of oranges in January and early February were substantially above a year ago, partly in response to strong processor demand. Stocks of apples are smaller this season than last, and prices are higher than in early 1960.

Supplies of fresh vegetables are likely to be a little smaller but better balanced this winter than last, when tender vegetables were damaged by severe weather in Florida. Supplies of frozen vegetables are moderately larger than a year ago, but those of canned items are moderately smaller.

The 1960 cotton crop was a little below a year earlier, and disappearance in 1960-61 will probably exceed production. Exports may total about 6.5 million bales, compared with 7.2 million in the previous year, and domestic mill consumption is expected to be down, reflecting relatively larger stocks and imports of textiles and slow consumer demand.

U. S. mill consumption of raw wool in 1960 was 6 percent below 1959; apparel wool mill use was down 7 percent, carpet wool consumption was 5 percent lower.

Prices for the 1960 crops of flue-cured and burley tobaccos averaged $3\frac{1}{2}$ and $6\frac{1}{2}$ percent, respectively, above 1959. For most kinds of tobacco, 1961 acreage allotments are the same as in 1960, but for burley they are increased 6 percent.

GENERAL BUSINESS ACTIVITY

The moderate downtrend in business activity continued into the first quarter of 1961. Industrial production slipped off in January, led by a large reduction in auto assemblies. Unemployment rose seasonally and was sharply above a year ago. Personal income continued to slide off, mostly due to lower wage and salary payments. Inventory liquidation was apparently following the pattern of other postwar recessions. New orders of manufacturers also declined moderately in December and January.

Manufacturers' New Business Lower

Changes in demand in the cyclically sensitive durable goods industries are indicated by the volume of new orders placed with manufacturers. Changes in new orders also lead general business cycle turns, although the lead time varies somewhat with each cycle.

New orders placed with manufacturers have been trending lower since the second quarter of 1959. By the second quarter of 1960, the peak of the 1958-60 recovery, new orders were down 2 percent; in October-December, they were down an additional 4 percent. New orders of durable goods firms were down the most, 14 percent between the second quarter of 1959 and fourth quarter of 1960. New orders received by durable goods firms declined 2 percent between December and January. During the current economic downturn, the drop in new orders has been much more moderate than during the comparable periods of the three previous recessions in 1948-49, 1953-54 and 1957-58. In recent months, new business in machinery and fabricated metals has declined while there has been a little pickup in steel. The decline in capital spending, which is extending at least into the current quarter, along with poor sales of autos, will tend to hold down the volume of new orders in early 1961.

In the other post-World War II expansions, new orders reached a peak from 6 to 11 months ahead of the peak in general business activity. During the early phases of a recovery with a lengthening of the work week and rising wage rates, consumer income picks up rapidly, along with an increase in consumer expenditures for durable goods. Businessmen increase their ordering for inventories and plan expansion of their facilities as prospects for future business activity improve. In addition, Government programs oftentimes contribute to the rise in orders. New orders begin to taper off well before the peak in general business activity. Business expansion plans near completion, the rate of inventory accumulation levels out, the climb in consumer durable goods slows, and residential construction turns down. In combination, these events act to turn down new orders well before general business activity shows a decline.

Table 1.--Manufacturers' new orders for durable goods, quarterly averages, seasonally adjusted, selected periods, 1948-60

Quarters		Peak	Trough	Percentage: change peak to trough	Lead before business cycle	
					Peak	Trough
		Mil. dol.	Mil. dol.	Percent	Months	Months
III	1948	7,586			5	-
II	1949		6,203	-18.2	-	3
I	1953	12,387			7	-
IV	1953		9,322	-24.7	-	8
IV	1956	14,877			11	-
I	1958		10,960	-26.3	-	2
II	1959	15,723			12	-
IV	1960		13,563	-13.7	-	-

U. S. Department of Commerce.

During the postwar recession periods, new orders have reached a low 2 to 8 months before the trough in general business activity. The variation in the lead time reflects in part different price expectations and supply prospects. A pickup in ordering from Government and related programs, an early turnaround in residential construction, and a slowdown in liquidation of stocks contribute to the improvement in ordering before the business cycle turning point is reached.

Inventory Liquidation Continues

Rapid inventory accumulation in the early stages of recoveries and liquidations in recessions are major factors influencing swings in production, manufacturing employment and other aspects of economic activity. The rate of inventory accumulation in postwar recessions has typically reached a peak a quarter before the peak in general business activity. During each of the postwar recessions, inventories have been liquidated rapidly in the two quarters following the peak. As the rate of liquidation eases, inventory changes contribute to a pickup in economic activity. In the three previous postwar recessions, net accumulation of stocks began five quarters after the preceding peak. During the 1960-61 decline, inventories are apparently following the pattern of other postwar recessions.

Table 2.--Change in business inventories, seasonally adjusted
annual rates, selected periods, 1948-60

Year and quarter	: Peak <u>1/</u>	: Quarters after peak					
		: 1	: 2	: 3	: 4	: 5	: 6
	: Bil.	Bil.	Bil.	Bil.	Bil.	Bil.	Bil.
	: <u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>	<u>dol.</u>
1948-49 -- IV 1948	: 4.3	.0	-5.3	-1.7	-5.3	2.5	4.9
1953-54 -- III 1953	: .7	-4.6	-2.6	-2.7	-2.1	.8	4.4
1957-58 -- III 1957	: 2.5	-1.2	-6.9	-4.5	-1.6	2.9	7.6
1960-61 -- II 1960	: 5.3	.6	-4.0	-	-	-	-

1/ Business cycle peak.

U. S. Department of Commerce.

At the end of December 1960, the book value of manufacturing and trade inventories totaled \$92.2 billion, seasonally adjusted, \$1.3 billion below the peak in June, but \$2.8 billion above a year ago. Manufacturing and trade sales in December were down \$2.7 billion from June, about twice the amount of the decline in stocks. Stock-sales ratios which are an indication of the relative level of inventories tend to increase in periods of economic decline. Between June and December 1960, stock-sales ratios rose from 1.51 to 1.56.

Liquidation of durable goods inventories held by manufacturing firms was general in the last half of 1960. Manufacturers' nondurable goods stocks were about the same in December as in June. At retail, sharp increases in auto stocks more than offset reductions in stocks of furniture and appliance stores, apparel, food, and general merchandise stores. At wholesale, accumulation continued in the last half of 1960, due to increases in nondurable goods.

Manufacturers began to reduce their stocks of purchased materials in the spring of 1960 followed by the beginning of liquidation of goods in process around mid-year. Finished goods inventories continued to rise in the third quarter, apparently reflecting some enforced accumulation, as sales failed to come up to expectations. In the final quarter of 1960, finished goods stocks turned down some six months after stocks of purchased materials.

Industrial Production

Dips

Industrial production, which lags movements in new orders, has declined steadily since June, and in January, at 102 (1957=100) the Federal Reserve Board's index was 8 percent below a year ago. When output is divided into broad market

Table 3.--Quarterly changes in book value of business inventories, 1960

	:	:	:	:	
	:	Mar. 1960	June 1960	Sept. 1960	Dec. 1960
Inventories	:	from	from	from	from
	:	Dec. 1959	Mar. 1960	June 1960	Sept. 1960
	:	:	:	:	:
	:	Million	Million	Million	Million
	:	<u>dollars</u>	<u>dollars</u>	<u>dollars</u>	<u>dollars</u>
Total	:	2,900	1,200	-400	- 900
Total durable	:	2,500	800	-500	-1,100
Total nondurable	:	400	300	100	200
Manufacturing	:	1,910	760	-390	-1,060
Durable goods	:	1,690	460	-390	-1,060
Primary metals	:	330	350	-160	- 150
Fabricated metals	:	280	10	- 70	- 170
Machinery including	:				
electrical	:	560	160	-110	- 250
Transportation	:				
equipment	:	460	-180	-220	- 300
Lumber and furniture	:	- 10	30	50	- 80
Nondurable goods	:	230	300	---	---
Food and beverage	:	30	170	- 10	- 20
Textiles	:	140	30	- 60	- 10
Paper	:	30	50	50	- 20
Chemicals	:	30	50	50	20
Petroleum and coal	:	10	- 30	- 40	40
Rubber	:	20	40	---	- 40
Wholesale	:	200	200	100	100
Durable goods	:	200	100	---	- 200
Nondurable goods	:	---	---	100	200
Retail	:	810	200	20	90
Durable goods stores	:	660	180	- 60	130
Automobile group	:	690	190	70	200
Furniture and	:				
appliances	:	---	40	10	- 70
Nondurable goods stores	:	150	20	80	- 40
Apparel group	:	10	- 50	50	20
Food group	:	110	- 10	- 20	20
General merchandise	:				
group	:	10	70	50	- 50

Note: Detail may not add to totals due to rounding.

U. S. Department of Commerce.

groups, production of final products declined again in January and the index at 107, (1957=100) was 4 percent below a year ago. In January consumer goods production was adversely influenced by the curtailment in auto assemblies. The index of auto production in January at 78, was 37 percent below October when new 1961 models were produced in volume, and 42 percent below a year ago. Production has been cut back each successive month as sales failed to reach expectations and dealer stocks rose to a million units. Production of apparel and staples (foods, drugs, etc.) in January at 113 was the same as a year ago. Production of equipment dipped in the final quarter of 1960 and the decline continued in January, due to the downturn in capital spending by business. Production of materials, which declined during most of 1960, held relatively steady in January at 98, some 11 percent below a year ago. Steel production after declining steadily since January 1960 picked up a little in January 1961, but was 38 percent below a year earlier.

Labor Market Changes

Unemployment usually rises nearly a fourth between December and January, due mostly to winter shutdowns of outdoor work and post-holiday reductions in workers employed in trade. In January, unemployment totaled 5.4 million workers, up about 850,000 from December. After seasonal adjustment, this was 6.6 percent of the civilian labor force, slightly lower than the 6.8 percent rate in December, indicating that changes between the two months were largely seasonal. But the January 1961 figure was substantially above the year ago rate of 5.2 percent and the highest for any January since 1950. There was an increase in the long-time unemployed (15 weeks and over) from 1 million in December to 1.3 million in January, and the number who worked part-time for economic reasons rose from $1\frac{1}{2}$ million to 1.7 million. An increasing number of the unemployed were exhausting their unemployment benefits. In January the number using up their benefits reached 195,000 compared with 157,000 in December and 121,000 a year ago.

Civilian employment in January was a little above a year earlier, but down some 600,000 from the 1958-60 peak of 67.4 million, seasonally adjusted, reached last June. Between December and January total nonfarm payroll employment fell 1.8 million due to large seasonal declines and a continuation of the downtrend in manufacturing. Manufacturing employment was down 260,000, more than the usual decline. The largest employment losses were in the following industries: Primary and fabricated metals, machinery, transportation equipment and apparel. Outside of manufacturing, employment changes in January were largely seasonal.

The average length of the workweek typically declines in recessions along with employment. In January, average weekly hours of production workers, seasonally adjusted at 38.7, were well below a year ago and about the same level as at the bottom of the 1957-58, 1953-54 and 1948-49 recessions. Average hours of overtime also dipped since mid-1960. In June 1960, production workers averaged 2.5 hours overtime and this declined to 1.9 hours in January 1961. Average overtime was 2.5 hours in August 1957, the peak of the previous economic expansion and dipped to 1.7 hours in April 1958, the trough.

Wage rates have shown a strong persistent uptrend in the postwar period. In January, earnings of production workers averaged \$2.32 per hour, 3 cents above a year ago. A decline in hours worked per week, however, more than offset higher wage rates resulting in average weekly earnings of \$89.55, 3 percent below a year ago.

Personal Income and
Spending Lower

Personal income in January at a \$406.3 billion annual rate was down from the December rate of \$406.9 billion but $2\frac{1}{2}$ percent above a year ago. In the final quarter of 1960 personal income averaged slightly higher than in July-September; the peak rate for the year of \$409.7 billion was reached in October. Wage and salary payments in manufacturing, construction and mining industries dropped at a rate of \$3.8 billion between October and January; transfer payments (including social security and unemployment benefits) rose \$1.0 billion in the same period.

Personal consumption expenditures in the fourth quarter of 1960 reached an annual rate of \$332 billion, up 3.9 percent from a year ago. Between the third and fourth quarters, consumption expenditures rose more than 1 percent. Sales of durable goods in the third quarter dipped sharply but recovered in the fourth quarter, due to higher auto sales. Expenditures for consumer services reached an annual rate of \$134.8 billion in the fourth quarter of 1960, up $6\frac{1}{2}$ percent from a year earlier.

Nondurable goods expenditures rose a little between the third and fourth quarters; food expenditures increased while those for clothing and shoes declined. Food expenditures in the fourth quarter are estimated at \$71.8 billion, up 3.6 percent from a year ago. Part of the year-to-year increase reflected higher prices; the index of urban consumer food prices in the fourth quarter of 1960 was 2.6 percent above a year ago. The retail value of farm produced foods in the market basket was 3 percent above the year earlier. With the marketing margin approximately unchanged, the farmers' share of the retail food dollar rose from 37 cents in the fourth quarter of 1959 to 39 cents in the final quarter of 1960.

Retail sales, according to advance reports in January totaled \$17.7 billion, seasonally adjusted, down about 2 percent from both December and January 1960. Durable and nondurable goods store sales both declined between December and January. Dealer sales of new automobiles were 12 percent below a year ago. Unusually severe weather, particularly east of the Rockies, has tended to hold down sales so far in 1961. With sales of durable goods declining, the amount of consumer installment credit outstanding rose \$76 million, the smallest amount in two years. Auto debt declined, after seasonal adjustment, for the first time since late 1958.

Nonfarm Price Trends Mixed

The index of prices paid by farmers for family living items has held steady for three months and in January 1961 at 291 (1910-14=100) was 0.7 percent above a year ago. Urban consumer prices in the last quarter of 1960 averaged about $1\frac{1}{2}$ percent above a year ago. Prices of foods, other nondurable goods and services were well above a year ago. Consumer durable goods prices were lower. At wholesale, prices in the last quarter of 1960 were about 0.5 percent above the same period of 1959. Higher prices for finished goods more than offset declines in crude materials and intermediate materials supplies and components. Consumer finished goods were up about $2\frac{1}{2}$ percent; foods were up $5\frac{1}{2}$ percent, other nondurables 1.0, and durable goods 0.3 percent. Producer finished goods were up 0.3 percent.

A comprehensive indicator of price changes, the implicit price deflator of the gross national product, in the fourth quarter of 1960 was $1\frac{1}{2}$ percent above a year ago, but about the same as in the preceding quarter.

Table 4.--Indexes of price movements, IV quarter 1959 to IV quarter 1960.
(1947-49=100)

Item	:	1959	:	1960			
				I	II	III	IV
	:	IV	:				
Consumer price index:	:		:				
All items	:	125.5	:	125.6	126.3	126.7	127.4
Food	:	118.0	:	117.6	119.8	120.3	121.1
Other nondurables	:	119.8	:	119.4	119.6	120.3	121.0
Durables	:	113.8	:	113.0	111.8	110.7	110.8
Services	:	147.6	:	148.8	149.6	150.4	151.3
Wholesale price index:	:		:				
All items	:	119.0	:	119.5	119.7	119.4	119.6
Finished goods	:	120.2	:	120.8	121.2	121.6	122.5
Consumer finished goods	:	112.0	:	112.7	113.2	113.7	114.7
Foods	:	104.0	:	105.6	107.3	107.9	109.8
Producer finished goods	:	153.6	:	153.8	153.7	153.3	154.0
Crude materials	:	93.8	:	95.3	95.9	93.5	93.2
Intermediate materials	:		:				
supplies and components	:	127.2	:	127.5	127.2	126.9	126.5
Price index: gross national	:		:				
product ^{1/}	:	130.8	:	131.4	131.9	132.8	132.9

^{1/} Implicit price deflator expressed on a 1947-49 base period.

United States Departments of Commerce and Labor.

AGRICULTURAL IMPORTS

Primary products, including those of agricultural origin, have been subject to severe price fluctuations during most of the postwar period. Moreover, except for an upward spiral during the Korean and Suez crises, the prices of agricultural commodities in world trade have generally trended downward. As a result, the value of U. S. agricultural imports has shown less bouyancy even during periods of relatively high domestic demand than has the value of total imports. Moreover, these price changes have caused severe fluctuations in the export earnings of many underdeveloped countries.

In the five years, 1955-59, agricultural imports--averaging nearly \$4 billion--represented 31 percent of total U. S. imports for consumption. This compares with 44 percent during the previous 5 years (when agricultural imports averaged \$4.4 billion) and about 50 percent during the late prewar period. The greatest relative decline has been in imports of complementary (noncompetetive) commodities which in the past 3 years have averaged about half of total agricultural imports. These trends were magnified during 1960 when both the quantity and unit import value of most commodities declined. Agricultural imports in 1960 totaled \$3.8 billion, \$269 million below 1959; total imports at \$14.6 billion were \$343 million below a year earlier. While the United States continued (after Britain) as the world's second largest agricultural importer, agricultural imports represented a new low of 26 percent of the total U. S. import bill. (Table 5 .)

In terms of quantity, agricultural imports have shown greater stability than in value. However, imports are responsive to domestic business conditions and to price changes and these have been reflected in substantial year-to-year variations in the volume of certain imports, such as rubber, coffee, cocoa, cattle and livestock products.

Major changes between 1959 and 1960 which accounted for the net decline in the value of agricultural imports are detailed below. The commodities discussed accounted for about 70 percent of agricultural imports in 1960.

Coffee

Lower prices and reduced volume contributed about equally to the \$90 million decline in the value of coffee imports. Continued high green coffee inventories limited import demand. A new international coffee agreement has been negotiated involving active participation by the African producers. The previous agreement, with effective adherence only by Latin American countries, had not been able to strengthen prices. The United States buys over half of world coffee exports.

Sugar

Sugar imports reached a near record of 4.7 million tons in 1960, despite the embargo placed on Cuban sugar early in July, as new suppliers filled authorizations for nonquota sugar. With about half of domestic consumption supplied by imports from foreign countries, the U. S. normally accounts for about one-fourth of the sugar entering international trade.

Rubber

Normally the U. S. buys about one-fourth of world rubber exports. In 1960, however, the volume of rubber imports was less than three-fourths as large as in 1959, although higher prices limited the decline in value to 16 percent. These prices reflected high import demand in other industrial countries. The tonnage reduction in U. S. imports is partly explained by a continued rise in the proportion of synthetic rubber in total consumption as well as the partial displacement of imports by sales from the U. S. strategic stockpile. Such sales from stockpile surplus take place when rubber prices are above 30 cents per pound; they dropped below this level in December, but have recently strengthened.

Wool

Imports of raw wool also declined substantially in 1960. A 22 percent decline in quantity from 1959, accompanied by lower prices, resulted in a 30 percent decline in the value of wool imports. The decline in imports was about 4 times as large as the decline in consumption due to considerable inventory liquidation, increasing domestic production of apparel wool, and an increase in imports of wool manufactures.

Cocoa

With a decline in cocoa prices from the high levels of the past 2 years, imports in 1960 were more in line with most postwar years when the U. S. provided a market for one-third of world exports. However, the 14 percent increase in quantity from 1959 was more than offset by a 24 percent price decline.

Cattle and Meat

With domestic beef production in 1960 at a new high, imports of beef and veal were 22 percent below 1959 but unit import values were well maintained. On the other hand, the 32 percent reduction in the value of cattle imports was due almost equally to fewer imports and lower unit prices. With domestic hog slaughter remaining below a year earlier, pork imports (mainly canned hams and shoulders) remained virtually unchanged from a year earlier. In 1959 when meat imports reached a calendar year high, they represented nearly 5 percent of domestic consumption.

Table 5.--United States imports for consumption, 1955-59 average and preliminary 1960

Commodity	Unit	Quantity		Value		Change 1960 from 1959	
		1955-59 average	1960	1955-59 average	1960	Quantity	Value
		Mil.	Mil.	Mil. dol.	Mil. dol.	Pct.	Pct.
Coffee <u>1/</u>	Pounds	2,783	2,921	1,288	1,004	-5	-8
Sugar, cane	Short tons	4.3	4.7	465	508	3	2
Rubber, crude	Pounds	1,263	920	364	321	-28	-16
Wool, unnm	do.	338	318	220	197	-22	-30
Cocoa and cacao beans	do.	500	550	160	143	14	-13
Beef and veal	do. <u>2/</u>	313	491	105	173	-22	-23
Pork	do. <u>2/</u>	139	171	90	114	-2	3/4
Tobacco, unmf.	do.	129	160	89	116	5	-8
Bananas	Bunches	49	64	70	72	19	-7
Copra	Pounds	658	780	52	63	11	
All other agricultural				1,068	1,112	4/	3
Total agricultural				3,971	3,825	5/-6	-7
Complementary <u>6/</u>				2,221	1,907	5/-6	-8
Supplementary <u>6/</u>				1,750	1,918	5/-5	-5
Total imports				12,902	14,644	5/3/	-2

1/ Including imports into Puerto Rico. 2/ Product weight. 3/ Less than 0.5 percent. 4/ Not available. 5/ January-October quantity indexes. 6/ Complementary imports are those not produced commercially in the U.S., mainly rubber, coffee, cocoa, tea, carpet wool, bananas and spices. Supplementary imports are similar to or interchangeable with U. S. produced commodities.

Department of Commerce.

Tobacco

The continued rise in U. S. cigarette consumption, was reflected in another small increase in imports of unmanufactured tobacco. Somewhat offsetting was a decline in the price of imported leaf. Imports currently account for somewhat over a tenth of total U. S. tobacco use.

FARM INCOME AND PRICES

Farm operators' realized net incomes in 1960 totaled about 3 percent above 1959, according to preliminary estimates. Although revised production estimates for all commodities, based on the 1959 Census of Agriculture, are not yet available, cash receipts in 1960 apparently totaled some 2 percent above 1959. The volume of marketings was up approximately 3 percent to a new record, and accounted for the larger cash receipts. Prices received by farmers averaged about 1 percent lower than in 1959. Government payments in 1960 were about the same as in 1959, while realized nonmoney income apparently declined.

Total production expenses in 1960 increased slightly, in contrast to the substantial yearly gains from 1956 to 1959. Prices for several categories of inputs of farm origin were lower in 1960 than in 1959, particularly the important feed and feeder livestock items. But most expense items of nonfarm origin continued to move up in 1960. As usual in recent years, interest and tax rates were up considerably from a year earlier. Wage rates, although higher than in 1959, did not show as sharp an upturn as in recent years.

The income of farm families from nonfarm sources rose only slightly in 1960, reflecting the economic slowdown in the latter part of the year. The number of people living on farms apparently continued to decline. Income from farm sources again accounted for about two-thirds of the total net income of all farm people from all sources.

During 1960 cash receipts from farm marketings moved from 5 percent below a year earlier in the first quarter to 4 percent above in the last half. Prices received by farmers were 4 percent below a year ago in the first quarter of 1960 and continued below year earlier levels until the final quarter of the year when they were nearly 4 percent above 1959. Marketings were slightly below in the first quarter but they exceeded 1959 levels by large amounts in the second and third quarters of 1960. In the fourth quarter of 1960 marketings were a little above the final quarter of 1959.

CCC price support extended on 1960 crops through December 31, 1960, totaled \$2.4 billion compared with \$2.3 billion a year earlier. Support extended for 1960 crop wheat and corn, and other feed grains was considerably higher, while the amount extended for cotton, milk and butterfat and soybeans was lower than in 1959.

Cash receipts from farm marketings during January 1961 are tentatively placed at \$3.0 billion, about 11 percent above the relatively small receipts in January 1960. The increase mostly reflects a greater volume of marketings although improved prices received for soybeans, hogs, eggs, and apples contributed. Receipts from crops, at \$1.4 billion, were up about 12 percent and livestock receipts, \$1.6 billion, were about a tenth higher than January 1960.

Prices received by farmers in January dipped a point from December to 241 (1910-14=100) but were nearly 4 percent above a year earlier. Crop prices averaged a point higher between December and January; food and feed grains, fruit and oil-bearing crops were higher, while tobacco, cotton, and vegetables declined. Livestock and product prices averaged almost 1 percent lower in January, meat animal prices rose 3 percent, but prices of both dairy products and poultry and eggs were lower, down 2 and 7 percent, respectively. Prices on major central markets increased between mid-January and early February. Prices of most grains, soybeans, chickens, eggs and hogs were higher, but prices of beef cattle and oats declined.

LIVESTOCK AND MEAT

Increases in the cattle inventory during 1960 plus the expected uptrend in hog production will result in a moderately larger meat output in 1961. The number of cattle and calves on farms January 1 totaled 97.1 million head, up 1 percent from a year earlier. The number of sheep and lambs on hand was 1 percent smaller this January. The number of sows on farms was up, about in line with the December intentions of 4 percent more sows to farrow spring pigs. The larger inventories are expected to result in moderately larger marketings during 1961 and livestock prices will probably average nearly as high as in 1960.

An increase of 900,000 head during 1960 lifted the U. S. cattle inventory to a record high on January 1, 1961. The inventory increase this January was in beef cattle. Beef cows were increased 640,000, milk cows were down 236,000, resulting in a gain in all cows of 404,000 head. Steers were up 4 percent but heifers and calves showed little change from a year earlier.

The January 1 estimates of livestock and poultry on farms for 1955-60 were revised primarily on the basis of data from the 1959 Census of Agriculture. The revised January 1, 1960 figures show cattle down 5 percent, sheep down 2 percent, and hogs up 1 percent from previous estimates. Changes for 1956-59 were made to be consistent with these new levels.

Despite the downward revision in inventories, the cattle herd in 1960 was large enough to provide for a record output of beef plus an increase in inventories. Further increases in slaughter are expected to be moderate, but over-expansion is still a real possibility.

The number of cattle and calves on feed January 1 was 6 percent above a year earlier. Cattle slaughter during the next few months will feature a gain in fed cattle; supplies of non-fed cattle also are as large or larger than a year ago. Fed cattle prices are expected to hold close to present levels for some months, in contrast to late-winter price increases last year.

The number of hogs on farms this January was 6 percent smaller than January 1960, with gains in sows more than offset by reductions in other hogs over 6 months old and in pigs under 6 months of age. Hence, hog slaughter will likely continue below a year earlier until sometime this spring. Prices of hogs early in February were about \$4.00 per 100 pounds above a year ago, and will likely continue above until about mid-year. The seasonally high summer-time prices will likely average close to a year earlier but prices this fall may be below those in late 1960.

The number of stock sheep and lambs on farms and ranches January 1 was 172,000 below January 1960; the number on feed 66,000 smaller. However, the 1961 lamb crop will probably be as large as in 1960 since the number of ewes 1 year old and older was up 1 percent from a year earlier. Sheep and lamb prices have not shown much recovery from their early-winter low as slaughter has been nearly as large as a year ago. Prices are expected to rise seasonally this spring and may average about the same as last spring.

DAIRY PRODUCTS

Milk production increased in 1960, halting a decline in the three preceding years. At 122.9 billion pounds it was 0.9 billion above 1959, a somewhat greater increase in production is expected this year. Contributing to the prospective increase is the steady uptrend in output per cow. Milk-feed price relationships are expected to continue favorable in 1961 as they have been for the last five years. Changes in livestock prices can affect the level of milk production, but such prices are not likely to change greatly in 1961. Currently beef cattle prices, although having declined somewhat from their recent high, are still favorable relative to manufacturing milk prices. For the year as a whole hog prices may not be significantly different than in 1960.

The supply of milk when measured on a milkfat basis exceeded commercial demand by 3 percent in 1960, as it did in 1959. Government purchases of milkfat jumped from a nominal amount in 1951 and 1952 to 8.4 percent of production in 1953, were again large in 1954, and then declined to 2.7 percent in 1959 and 1960. Solids-not-fat, however, exceeded commercial requirements by 8 percent in 1960. CCC purchases of solids-not-fat since 1953 have continued to represent 5 to 8 percent of total production.

Consumption of cheese and nonfat dry milk increased in 1960, even though distributions from CCC supplies were lower. Per capita consumption of butter declined to a new low of 7.8 pounds because of a decline in government donations. Disappearance through commercial channels of 6.9 pounds per person was slightly above the 6.8 pounds a year earlier. Distributions from CCC stocks are expected to increase in 1961, because of the enlargement of the distribution programs.

Prices to farmers for milk of manufacturing grade in 1960 averaged \$3.26 per hundredweight, up 2.8 percent from 1959. The increase resulted largely from an increase in the demand for milk used in making cheese. Little change occurred in the price received for milkfat in farm-separated cream. Through March, prices for milk and milkfat will average higher than in 1960; thereafter the level of price supports to be announced before April 1 will be an important determinant of price.

With higher prices for manufacturing milk in 1960, the cost to processors of all dairy products increased from 1959, but for a number of items these increases were not carried through to the retail level. Retail prices for both butter and ice cream were lower in 1960 than the year before, indicating a narrowing of the gross marketing margin. But for cheese, the gross marketing margin widened, with all of the widening occurring between the farm value and the wholesale price as retailers' margins narrowed. The retail price of cheese set a new record high of 60.5 cents per pound in 1960 and was 2.3 cents higher than in 1959, while the farm value was only 1.5 cents higher.

The trend toward larger but fewer and more specialized dairy farms gained considerable momentum in the last five years. The 1959 Census reported only 1.8 million farms with milk cows compared with 2.9 million in 1954. However, specialized dairy farms declined much less--from 547 to 428 thousand.

POULTRY AND EGGS

Egg prices strengthened in late January and early February, after having shown a decline in December. In early January egg prices remained well above the year before. Typical Eastern wholesale prices in early February were mostly 12 to 15 cents per dozen above the depressed levels of the year before. In mid-January, the U. S. average price received by farmers, 38.6 cents per dozen, was 9 cents above January 1960, although 5.5 cents below the month before.

A smaller egg production than last year is the principal factor explaining current egg prices. The 4 percent reduction from last year in the size of the laying flock, and the generally greater age of the layers on hand, along with widespread cold weather east of the Rockies, contributed to the lowered production, this year.

Although monthly production is below last year -- and is likely to continue so until about mid-year -- it is rising seasonally, and during the spring will provide a surplus for storage. Egg prices in the spring are likely to be below corresponding 1960 prices, because the prospect for a large replacement hatch and abundant egg supply in the fall will limit storage demand.

Farmers' early-February intentions were to raise 12 percent more chicks than last year for the replacement of laying flocks. Hatchings have been above the year before since May 1960. In January hatchings of egg-type chicks were 39 percent more than in January 1960, and February 1 eggs in incubators were up 44 percent.

With recent hatchings of chicks for broiler production above the year before, and a buildup occurring in breeder-hen numbers, production of broilers will continue to exceed 1960 for practically all of 1961. About 4 percent more broilers were produced in 1960 than the 1.73 billion of 1959; a slightly larger increase is likely for 1961.

Prices of broilers held up well in 1960, probably influenced by the firm prices for red meats. Considering the increase in volume marketed, 1961 prices so far are also holding up, with the mid-January price to producers --

16.5 cents per pound--up 0.7 cents from the month before, although down by about the same amount from the year before. Since mid-January, broiler prices in producing areas have risen.

February slaughter is from chick placements that were 9 percent above the year before. March and April marketings will be from hatchings which are up about 4 and 11 percent, respectively, from last year. Marketings will rise seasonally, but demand for broilers also increases seasonally to a summertime peak, so broiler prices in the next few months are not likely to show any marked trends. The Department of Agriculture has announced a program to purchase about 5 million pounds of frozen broilers for the National School Lunch Program.

Prices for frozen turkeys have weakened since the turn of the year, and prices have adjusted accordingly for the current seasonally low marketings from farms. In mid-January, average prices received by farmers for turkeys were 25.4 cents per pound, down about a cent from the month before and down almost 3 cents from the year before. Farmers' early January intentions were to raise 20 percent more turkeys than the 1960 record crop of 82 million birds.

OILSEEDS, FATS, AND OILS

The monthly average price of soybeans (No. 1 yellow, Chicago) has risen sharply from \$2.12 per bushel in October 1960 to \$2.49 in January 1961, averaging about \$2.25 per bushel compared with \$2.18 a year earlier. However, the price in mid-February was \$2.70 per bushel, 55 cents above February 1960. Soybean oil and meal prices have shown similar increases since last fall.

The soybean price strength during the current marketing year mainly reflects strong export and crusher demand for the reduced supply of beans this year. Carry-over stocks of soybeans next October 1 are expected to be at the lowest level since 1956.

While most of the seasonal rise in soybean prices probably has already occurred, prices nevertheless are expected to remain relatively firm through the spring, averaging sharply above last year. The high market prices of soybeans at planting time this spring are expected to be a factor encouraging soybean acreage expansion in 1961.

Soybean oil prices, as well as cottonseed oil, are expected to rise further during the remainder of the 1960-61 marketing year. The optimistic outlook for edible oil prices stems from (1) a new high in domestic consumption; and (2) record exports stimulated in part by record shipments under government-financed programs and donations to needy abroad.

On February 3, the Department of Agriculture announced that up to 100 million pounds of refined vegetable oils, including peanut oil, will be made available during 1961 to U. S. nonprofit voluntary welfare agencies for the assistance of needy persons overseas as part of the President's Food for Peace Program. On February 8, USDA requested offers from the trade to sell to CCC approximately 8.5 million pounds of hydrogenated vegetable oil (shortening type) and 4.0 million pounds of cottonseed salad oil for delivery during the second half of March through the end of April 1961. This is the first time since 1956, when CCC stocks of vegetable oils were exhausted, that quantities have been made available for foreign donation.

FEED

Feed consumption has been heavy so far during this year; total disappearance of feed grains and other concentrates probably will rise to a record high for the entire 1960-61 feeding year. During October-December, the combined disappearance of the four feed grains totaled 52 million tons, practically the same as a year earlier, even though hog and poultry numbers were down in that period from a year ago. Heavier consumption in 1960-61 is expected in view of the prospective increase in hogs and poultry in 1961 and continued liberal feeding of livestock on farms. Feeding of high-protein feeds also is heavy this year, with domestic consumption of oilseed meal during October-December up 7 percent over that quarter of 1959.

Total stocks of the four feed grains on January 1 increased to 183 million tons, 8 percent more than a year earlier. The big stocks were again larger than in any past year, both in total or per animal unit. Even after allowing for heavier disappearance during January-September this year, the carryover of corn next October 1 is expected to increase to around 2.0 billion bushels, 200 million more than on that date last year, and the sorghum grain stocks to around 700 million bushels, up more than 100 million. The total carryover of the 4 feed grains into 1961-62 is expected to increase 8 to 10 million tons over the 75 million tons carried over in 1960-61.

Corn prices have made a rapid recovery from the low level reached last November. In the first half of February, No. 3 Yellow corn averaged \$1.13 per bushel at Chicago, about 20 cents above the price in late November and about the same as a year earlier. Milo prices at Kansas City advanced about 15 percent from late November to early February, and small advances were made in prices of oats and barley. Market prices of feed grains in early February were close to the levels of a year earlier when feed grains had not advanced much over the seasonal low points reached in the fall. Some further advances in feed grain prices may occur during the next few months. Prices will be influenced to some extent by the 1961 Government feed grain program and prospects for 1961 feed crops. Prices of high-protein feeds advanced 16 percent from November to early February, and they are now about the same as a year ago. High-protein feed prices are expected to show more strength this spring and summer than in 1960, when they declined 12 percent from January to July.

Through December farmers had placed 152 million bushels of 1960 corn under price support, 30 million more than a year earlier. In addition, 224 million bushels of corn were resealed on farms and 1,448 million were owned by CCC, bringing total stocks under the program to 1,824 million bushels, 332 million more than a year earlier. Larger quantities of oats, barley and sorghum grain also were placed under price support through December 1960 than in the same period of 1959.

WHEAT

Cash wheat prices at terminals reached their highs for the marketing year to date in late January and early February. At that time, prices were

generally at or above the support levels and had advanced to a point where wheat from free supplies was sold in increased quantities by farmers and other holders. The heavy sales caused a market reaction and on February 17 prices were down as much as 8 cents per bushel from their highs.

However, even with the setback, prices were still generally favorable compared with the effective support. On February 17, the price of No 1 Soft White at Portland at \$2.14 was 17 cents above the effective support; No. 2 Soft Red Winter at St. Louis at \$2.14, 9 cents above; No. 2 Hard Winter, ordinary protein, at Kansas City at \$2.04, 1 cent below; and No. 1 Dark Northern Spring, ordinary protein, at Minneapolis at \$2.10, 3 cents below.

Disappearance of wheat in July-December of 1960 amounted to 614 million bushels, 65 million or 12 percent above the same period in 1959 and 133 million or 28 percent above the 1954-58 average. Compared with the same period in 1959, exports at 298 million bushels were 92 million larger. Wheat for domestic food use was slightly larger but feed use was much less. The quantity for seed use was about the same.

Supplies of wheat for the 1960-61 marketing year, as a whole, totaled a record 2,684 million bushels, including a carryover of 1,314 million, a crop of 1,363 million, and imports of about 7 million, mostly of feeding quality and seed wheat. Domestic disappearance in 1960-61 is expected to total about 610 million bushels and exports are now expected to reach 590 million bushels. The carryover on July 1, 1961, therefore, will total about 1,485 million bushels, compared with 1,314 million last July 1.

FRUIT

Grower prices for most citrus fruits increased a little during January, partly in response to strong demand for processing. In early February, prices for oranges were substantially above year-earlier levels, for most other citrus slightly to moderately above. Grower prices for the reduced stocks of apples did not change much during January and early February, also continuing above a year ago. But prices for the heavier stocks of pears averaged a little below the relatively high levels of a year ago.

Prices for most citrus fruits in early February varied, as usual, by kind of fruit, type of pack, and other factors. Among oranges, the principal exception was the larger-sized fruit, for which prices were below a year earlier. Among Florida grapefruit, shipping-point prices for the pink seedless, of which production is up this year, were about the same as a year ago. However, they were lower than current prices for other varieties.

Movement of citrus fruits, especially oranges and grapefruit, to fresh markets and processors has been seasonally heavy since January 1. But the total volume marketed to early February was somewhat smaller than a year earlier, mainly because of lighter crops and delayed early-season movement. The main exception is tangerines, of which movement of the much heavier 1960-61 crop was larger than the comparable movement in 1959-60.

In Florida, output of frozen orange concentrate and canned single-strength orange, grapefruit and blended juice was much smaller to February 1, 1961 than a year earlier. But output of frozen tangerine concentrate and canned single-strength tangerine juice, which comprise only a small percentage of all citrus products, was up substantially. On February 1, 1961, canners' stocks of canned tangerine juice were much larger than a year earlier. In contrast, packers' stocks of the more important frozen orange concentrate and other canned single-strength juices continued considerably smaller than year-earlier stocks. Retail prices for the frozen orange concentrate have increased noticeably since last fall.

Cold-storage stocks of apples on February 1, 1961, were about 10 percent smaller than the above-average stocks of a year earlier. Stocks were smaller than a year earlier in all heavy-storage States except Virginia, where they were up considerably. By early February, movement of apples from controlled-atmosphere storage was underway and increasing. In some instances, storages of this type were reported to have been opened earlier than in the 1959-60 season. Mainly because of somewhat reduced movement of pears during fall and early winter, stocks in cold storage on February 1, 1961 were moderately heavier than a year earlier but still somewhat below average for that date.

Development and market movement of the Florida winter crop of strawberries have been hampered by unfavorable winter weather. The crop is expected to be about the same as the below-average 1960 crop.

COMMERCIAL VEGETABLES

Fresh

Supplies of fresh vegetables are likely to be a little smaller this winter than last. However, different items may be in better balance than last winter, when severe weather in Florida caused a shortage of most tender vegetables. Indicated production of sweet corn, tomatoes, cucumbers, snap beans, eggplant and green peppers is expected to be much larger than the small crops of last winter. Supplies of broccoli also are expected to be larger. On the other hand, supplies of a number of the more hardy items such as artichokes, carrots, celery and escarole are expected to be substantially smaller than the heavy supplies of last winter, and cabbage and lettuce moderately smaller.

Domestic production of winter vegetables, particularly tomatoes, cucumbers, and peppers, will be supplemented by imports. Indications are that acreages of both tomatoes and mixed vegetables in west Mexico are considerably larger this winter than last. Thus, supplies of these items available for import from Mexico probably will be larger than a year earlier. Quantities actually imported will depend largely on production, timing of harvest, and prices in this country. During the early part of the winter season relatively low prices in this country have curtailed imports. Because of the political situation in Cuba, no information is available on probable imports from that country.

Processed. Supplies of frozen vegetables available into mid-1961 are materially larger than a year ago and well above average. Frozen green peas are in

fairly light supply, and mixed peas and carrots are materially smaller than a year ago. But holdings of practically all other major items are moderately to substantially larger than a year ago. On the other hand, overall supplies of canned vegetables are moderately smaller than a year earlier. Remaining supplies of asparagus, sauerkraut, tomato catsup and chili sauce, pumpkin and squash, lima beans and spinach are larger than a year ago. But supplies of canned green peas, sweet corn and beets are substantially smaller than a year earlier, and tomatoes, and cucumbers for pickles slightly to moderately smaller.

Demand for processed vegetables is expected to continue strong in the first half of 1961, with movement of frozen vegetables expected to be a little larger than a year earlier and movement of canned vegetables about the same as a year earlier. Because of smaller supplies of some items and higher processing and distribution costs, overall prices for processed vegetables are expected to continue moderately above those of a year earlier.

POTATOES AND SWEETPOTATOES

Supplies of old crop potatoes are moderately larger than last winter, and production of new crop potatoes for winter harvest is up sharply from the small crop of last winter. Prices of old crop round white potatoes as well as new crop winter potatoes are likely to average materially lower this winter than last. Prices for russet type potatoes probably will average moderately below those of last winter.

Production and unloads data indicate that remaining supplies of sweetpotatoes are substantially smaller than a year ago. With demand about the same as last season, prices for these smaller supplies are likely to continue well above those of a year earlier.

DRY BEANS AND PEAS

Overall supplies of colored classes of dry beans appear to be a little larger than those of a year ago. But supplies of white classes as a group are moderately smaller, despite large supplies of pea beans. However, the pressure on markets of these larger supplies of pea beans will be lightened by the Department of Agriculture's program to purchase 1960-crop pea beans for distribution to needy families. Smaller exports to Cuba are expected to result in substantially smaller total exports of colored beans this season than last. Exports of white classes, though probably smaller than the large exports of last season, are expected to be large relative to most other recent years.

Supplies of dry field peas are materially smaller than a year ago. Allowing for expected domestic use, the quantity of peas available for export is much smaller than a year earlier. However, foreign demand for U.S. peas also is expected to be down considerably from the heavy demand of a year earlier.

COTTON

The 1960 cotton crop was down about 200,000 bales from a year earlier and disappearance in 1960-61 of an estimated 14.7 million bales is expected to

exceed production of about 14.3 million. After allowing for imports, the carry-over on August 1, 1961, probably will be about 200,000 bales smaller than a year earlier.

Disappearance during 1960-61 includes declines in both domestic mill consumption and exports. Although exports may fall below the very high level of 7.2 million bales of 1959-60, they still are expected to be relatively large. At about 6.5 million bales, they would compare favorably with the preceding 4-year average of 5.8 million bales; and would be higher than during any season from the end of World War II to 1956-57. Registrations under the payment-in-kind program through February 10 were 5,554,293 bales, approximately 144,000 bales below registrations through approximately the same date in the preceding season. Actual exports from August 1 through December 1960 were about 2.4 million bales, some 300,000 bales larger than in the same months of 1959.

High level exports are being maintained for the following reasons: Relatively high consumption of cotton in the foreign free world, larger exports from the foreign free world to the Communist countries because of smaller crops behind the Iron Curtain, an increase in foreign free world stocks during the current season, and larger United States Government financing of U. S. cotton exports.

Domestic mill consumption of cotton during 1960-61 probably will be around 8-1/4 million bales compared with about 9 million bales in 1959-60. Indications of this decline are: Steady increases in the stock-unfilled order ratio for cotton broadwoven goods for several months, decreases in prices for fabrics for several months, large imports of cotton textiles, and lower rates of mill consumption of cotton. Imports of cotton textiles during 1960 continued at a record high level--an annual rate of around 555,000 bales for 1960. For the first time, imports of such textiles are larger than exports, which were at an annual rate of about 493,000 bales in the first 10 months of 1960.

During January 1961, the average 14 spot market price for Middling 1-inch cotton was 30.14 cents per pound--close to the minimum sales level of local sales agents and compares with 31.91 cents in 1960. In January, the minimum sales price for Middling 1-inch cotton by local sales agents for CCC at the 14 spot markets averaged about 30.31 cents per pound.

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) as of February 10 were about 4.7 million bales, about 1.6 million bales below those of a year earlier. About 7.7 million bales of Choice A cotton were purchased by CCC through February 10. Of this total, 6.5 million bales had been sold, most of them by local sales agents.

WOOL

U. S. mill consumption of raw wool during 1960 amounted to 404.2 million pounds, scoured basis, 6 percent less than 1959, but 2 percent more than the

1955-59 average. Apparel wool mill use totaled 243.8 million pounds, 7 percent less than 1959 and 6 percent less than the 1955-59 average. Mill consumption of carpet wools amounted to 160.4 million pounds, 5 percent less than 1959, but 16 percent more than the 1955-59 average.

The raw wool content of foreign trade in wool products amounted to an import balance of approximately 118 million pounds during January-November 1960, 4 percent more than during the same period a year ago. Imports of woven fabrics and carpets and rugs continued to increase significantly during 1960. Preliminary estimates of domestic consumption of wool amount to about 535 million pounds, 3 percent less than the 551 million pounds consumed in 1959, but 10 percent more than the 1955-59 average.

Reflecting the lower mill use of raw wool, the working down of inventories and the increase in imports of wool manufactures, imports of raw wool declined substantially during 1960. Imports of dutiable wools totaled 74.7 million pounds, clean content, 26 percent less than in 1959. Imports of duty-free wools amounted to 153.9 million pounds, 20 percent less than in 1959.

Sales activity of domestic shorn and pulled wool has been limited during the past several weeks by the small volume of available wool. Prices have held relatively stable at levels approximately 7 to 10 percent below those of a year earlier. Domestic buyers have held off, waiting for trends to develop in the various world markets. Offerings in most world markets have been heavy, with a slight upward price trend developing which probably will cause domestic prices to advance during the next several months. There has been some early shearing of the new clip in the Southwest and limited contract buying in the fleece states for March and April delivery. It is expected that the demand will be heavier for the medium wools than for the fine wools. This will again cause the price differential between the fine and medium wools to be in a narrow range as it has been the last year.

The average mid-month price received by domestic growers for shorn wool during the last 6 months has varied in the narrow range of a high of 41 cents per pound in August to a low of 39 cents in November. The January 1961 mid-month price was 39.3 cents, down from the 40.2 cents in December 1960 and the 43.0 cents of January 1960.

TOBACCO

Marketings of most tobaccos grown in 1960 except some fire-cured and cigar types are virtually completed. Prices of flue-cured--the largest single kind--averaged 60.4 cents per pound, about $3\frac{1}{2}$ percent above 1959 and a record high. Prices of burley--second largest kind of tobacco--averaged 64.2 cents, about $6\frac{1}{2}$ percent above 1959 and second highest on record.

Prices for Virginia fire-cured tobacco have averaged about 5 percent above last season; Kentucky-Tennessee fire-cured, about an eighth higher; Virginia sun-cured and One Sucker, about a tenth higher; and Green River tobacco, about 4 percent.

On January 31, the Secretary of Agriculture announced the 1961 marketing quota for burley tobacco and the resulting 6 percent increase in farm acreage allotments for 1961 compared with 1960. This is the first general increase in burley acreage allotments since the sharp cutback in 1955. The total supply of burley for 1960-61 has been reduced more than a tenth from the record high of 6 years ago.

The 1961 marketing quotas and acreage allotments were also set for Maryland tobacco, fire-cured tobacco, dark air-cured, Virginia sun-cured, and cigar tobaccos. Most farm allotments will be about the same as for 1960 with the exception of Connecticut Valley binder types 51-52. For most farms growing cigar binder types 51-52, acreage allotments will be about 10 percent smaller than for 1960. The manufactured sheet binders have replaced natural leaf binders on probably close to nine-tenths of cigar output and sharply reduced the requirements for cigar binder leaf.

The 1961 flue-cured marketing quota and acreage allotment were announced on November 23, 1960. For most farms the allotments are the same as in the past 4 years. (Under the law, the Secretary of Agriculture had until December 1 to announce the 1961 flue-cured marketing quota and acreage allotment, but until February 1 to announce the marketing quotas and acreage allotments for the other kinds of tobacco.) The total supply of flue-cured for 1960-61 is about 2 percent above 1959-60, but 9 percent below the peak of 4 years earlier.

The levels of price support for the 1961 crops of eligible tobaccos will be based on the 1959 support level adjusted in proportion to the change between (1) the 1959 parity index and (2) the average of the parity indexes for 1958, 1959 and 1960. The parity index is the index of prices paid by farmers, including interest, taxes, and farm wage rates.

Cigarette output in 1960 totaled a record 507 billion-- $3\frac{1}{2}$ percent above 1959. Cigar output by domestic factories totaled 6.8 billion--nearly $2\frac{1}{2}$ percent above 1959 and highest since 1923. The 1960 output of smoking tobacco at 74 million pounds was nearly 1 percent above 1959, but fourth lowest on record. The 1960 output of chewing tobacco, at 65 million pounds, was down 5 percent from 1959 and a record low, but output of snuff at about $34\frac{1}{2}$ million gained slightly over a year earlier.

Unmanufactured tobacco exports in 1960 totaled 557 million pounds (farm-sales weight), 7 percent larger than in 1959 when they were lowest in 5 years.

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Demand and Price Situation - 74